

ORIGINAL

NEW APPLICATION



0000099044

BEFORE THE ARIZONA CORPORATION COMMISSION

RECEIVED

2009 JUN -4 A 11: 30

COMMISSIONERS

KRISTIN K. MAYES, CHAIRMAN
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

Arizona Corporation Commission

AZ CORP COMMISSION
DOCKET CONTROL

DOCKETED

JUN -4 2009

DOCKETED BY	102
-------------	-----

W-20435A-09-0298

**IN THE MATTER OF THE
APPLICATION OF SONOITA VALLEY
WATER COMPANY, FOR
AUTHORITY TO INCUR DEBT TO
FINANCE WATER SYSTEM
IMPROVEMENTS**

Docket No. W-20435A-09-_____

FINANCE APPLICATION

Pursuant to A.R.S. § 40-301 *et seq.* and A.A.C. R14-3-106(F) Sonoita Valley Water Company ("Company" or "Applicant"), hereby applies for authority to incur debt to finance water system improvements.

PRELIMINARY STATEMENT

The Company is a public service corporation subject to regulation by the Arizona Corporation Commission ("Commission") as a water utility. The Company holds a Certificate of Convenience and Necessity ("CC&N") in the area of Sonoita, Arizona.

The Company is seeking to finance necessary improvements to water production and distribution systems, which will cost an estimated \$656,271 as determined by

1 engineers who evaluated the systems. *See* Exhibit 1. Previously, the Company has
2 already applied to the Water Infrastructure Finance Authority ("WIFA") for a loan of up
3 to \$828,000 to finance the requisite equipment improvements and WIFA placed the
4 Company on its 2009 Drinking Water Revolving Fund Priority List. *See* Exhibit 2.
5
6 Nevertheless, due to the Company's desire to limit its debt, it is submitting this
7 application to receive authority to borrow no more than \$656,271 from WIFA to make
8 system improvements.
9

10 **INFORMATION REQUESTED ON APPLICATION FORM**

11 **1. Applicant's Name and Address.**

12
13 Sonoita Valley Water Company
14 Bonnie O'Connor
15 P.O. Box 85160
16 Tucson, Arizona 85754
17 Telephone: (520) 623-5172
18 Facsimile: (520) 792-0377

19 **2. Person Authorized to Receive Communications.**

20 Steve Wene, Esq.
21 Moyes Sellers & Sims Ltd.
22 1850 North Central Ave., Suite 1100
23 Phoenix, Arizona 85004
24 Telephone: (602) 604-2189
25 Facsimile: (602) 274-9135

26 **3. Financing Description.**

27 If the Commission authorizes the proposed debt, then WIFA will lend the
28 Company \$656,271 for approximately 30 years through the Drinking Water Revolving
Fund. Although the Company is on the loan priority list, WIFA does not offer finance
terms until the Commission authorizes water providers like the Company to incur debt.
The Company understands that the Commission and WIFA have a standard working

1 arrangement to accommodate WIFA's loan practices. Accordingly, Commission staff
2 may want to contact the following WIFA staff person:

3 Angie Valenzuela
4 Senior Loan Officer
5 Water Infrastructure Finance Authority
6 1110 W. Washington Street, Suite 290
7 Phoenix, Arizona 85007

7 **4. Proceeds Statement.**

8 Gross proceeds will be \$656,271. WIFA has a combined interest and fee rate
9 structure, so there are no issuance expenses. This means that the Company will net
10 \$656,271 from the proposed loan.

11 **5. Plant to be Acquired Using Net Proceeds.**

12 The proceeds will be used to repair and replace a central meter, locate the water
13 distribution system, replace approximately 4,000 linear feet of substandard distribution
14 pipe, drill a well to 1,000 feet below land surface with 8-inch casing, install a 25
15 horsepower booster station, construct a 40,000 gallon steel reservoir, replace a
16 hydropneumatic tank, and fix site electrical works. *See* also Exhibit 1.

17 **6. Consistency with A.R.S. § 40-301 et seq.**

18 The proposed financing is: (a) within the Company's corporate powers, (b)
19 compatible with the public interest; (c) compatible with sound financial practices; (d)
20 compatible with the proper performance by the applicant of service as a public service
21 corporation; and (e) will not impair the Company's ability to perform that service.
22

23 **7. Service Fees.**

24 WIFA does not charge service fees. Under WIFA's combined interest and fee rate
25 structure, the Company anticipates paying a fixed interest rate of prime plus 2%
26 multiplied by a subsidy rate index set by WIFA. WIFA may offer the Company a 85%
27 subsidy rate, so the effective interest rate could be Prime + 2% x 85%. This below-
28 market rate loan is reasonable for the Commission to approve.

1 **8. Documents to be executed in the matter.**

2 There are no documents to be executed in the matter at this time.

3 **9. Pro Forma Balance Sheet and Income Statement.**

4 A Company pro forma balance sheet is attached as Exhibit 3. A Company pro
5 forma income statement is attached as Exhibit 4.

6 **10. Customer Notice.**

7 The proposed notice, attached as Exhibit 5, will be inserted in the customers' next
8 bill. The Company will file with the Commission a copy of the actual notice sent and an
9 affidavit stating when it was sent to the customers.

10 **REQUEST FOR APPROVAL**

11
12 As set forth in this Application, the Company requests that the Commission
13 authorize the financing described herein.

14 DATED this 4th day of June, 2009.

15
16 **MOYES SELLERS & SIMS LTD.**

17 Steve Wene
18 Steve Wene
19 1850 North Central Avenue, Ste. 1100
20 Phoenix, AZ 80004
21 (602) 604-2189

22 **Original and 13 copies filed this**
23 4th day of June, 2009, with:

24 Docket Control
25 Arizona Corporation Commission
26 1200 West Washington
27 Phoenix, Arizona 85007

28 Donnelly Herbert

EXHIBIT 1



OPINION OF PROBABLE COSTS

28-Apr-09

SONOITA VALLEY WATER

Item No	Item Description	Unit	Quantity	Unit Cost	Extended Cost	Notes
	AREA 1 BUSINESS					
1	Meter Repair and replacement	LS	1	\$ 10,000.00	\$ 10,000.00	
	AREA 1 RESIDENTIAL					
2	Water distribution system reconnaissance (60 potholes, gps surveys, and field investigations)	LS	1	\$ 35,000.00	\$ 35,000.00	
3	Replace 2" with 6" CL 200 PVC	LF	4000	\$ 45.00	\$ 180,000.00	
	AREA 2 RESIDENTIAL					
4	New reliable water source 1000' deep 8" casing	LS	1	\$ 150,000.00	\$ 150,000.00	
5	25 Hp Booster Station	LS	1	\$ 35,000.00	\$ 35,000.00	
6	40,000 gallon steel reservoir	LS	1	\$ 40,000.00	\$ 40,000.00	
7	Hydropneumatic Tank	LS	1	\$ 13,500.00	\$ 13,500.00	
8	Site electrical	LS	1	\$ 10,000.00	\$ 10,000.00	
				<i>Subtotal</i>	\$ 473,500.00	
	Administration and Legal Expenses		2% of Construction Cost		\$ 9,470.00	
	Land, Structures, and Right-Of-Way		NA		\$ -	
	Relocations		NA		\$ -	
	Arch and Engineering Fees		8% of Construction Cost		\$ 37,880.00	
	Other A and E Fees (Survey, Geotech, etc)		2% of Construction Cost		\$ 9,470.00	
	Project Inspection Fees		3.5% of Construction Cost		\$ 16,572.50	
	Subtotal				\$ 546,892.50	
	Contingencies, 20%				\$ 109,378.50	
	Total Project Costs				\$ 656,271.00	
	Construction Costs per Benefitting Connection				\$ 4,984.21	

EXHIBIT 2

Arizona's Drinking Water Revolving Fund

2009 Funding Cycle - Priority List for DWSRF

Project Number	Party	Project Name	Subsidy Rate	Priority Ranking	Total Project Cost	Estimated Eligible Amount	Readiness to Proceed	*Date Committed	Binding Commitment
x 017-2009	SoHi Domestic Water Improvement District	Supplemental Water source Interconnect Construction	70	1	800,000	800,000	50		0
018-2009	El Mirage, City of	Mandated Water System Improvements	70	2	8,000,000	8,000,000	40		0
025-2009	Thunderbird Farms Domestic Water Improvement District	Thunderbird Farms DWID Arsenic Removal and Additional Storage Project	70	3	3,103,203	3,103,203	40		0
035-2009	Montezuma Rimrock Water Company LLC	Arsenic Facility Installation	70	4	165,000	165,000	0		0
013-2009	Chino Valley, Town of	Appaloosa Water Company Acquisition	70	5	750,000	750,000	0		0
036-2009	Tonto Hills Improvement Association	System Acquisition and Upgrades	75	6	800,000	800,000	40		0
023-2009	Tonto Village Domestic Water Improvement District	Acquisition and Upgrade of Tonto Village Water Company System	70	7	450,000	400,000	0		0
050-2009	Clear Springs Utility Company	Clear Springs Utility Consolidation & Upgrades	70	8	2,500,000	2,500,000	0		0
040-2009	Cave Creek, Town of	WELL #4 ARSENIC TREATMENT	70	9	570,000	285,000	30		0
026-2009	Appaloosa Water Company	Arsenic Treatment System	70	10	225,000	225,000	40		0
007-2009	Willhoit Water Company - Thunderbird Meadows	Storage Tank Replacement	70	11	131,058	131,058	0		0
x 004-2009	Alpine Domestic Water Improvement District	Transfer Water Service from Alpine Water Systems to Alpine DWID	70	13	1,400,000	1,400,000	40		0
005-2009	Willhoit Water Company - Blue Hills #3	arsenic remediation system	70	14	40,000	40,000	0		0
011-2009	Chino Valley, Town of	Willhoit Water Company Acquisition	70	15	250,000	250,000	0		0
014-2009	Joseph City Utilities	Joseph City Utilities Reservoir	70	16	440,000	440,000	40		0
042-2009	Beaver Dam Water Company	Storage Tank / BDWC#2	70	17	210,254	104,283	40		0
016-2009	Willhoit Water Company - Yavapai Estates	Arsenic Remediation System	75	19	280,042	280,042	0		0
049-2009	Valle Verde Water Company	Valle Verde Water System Consolidation & Upgrades	70	21	8,280,000	8,280,000	0		0
044-2009	White Mountain Apache Tribe	Whiteriver Surface Water Treatment Facility	70	22	13,212,710	4,500,000	20		0
010-2009	Chino Valley, Town of	Chino Meadows II Water Company Acquisition	75	23	2,500,000	2,500,000	0		0
015-2009	Joseph City Utilities	Joseph City Utilities Pipeline (under I-40)	75	24	30,000	30,000	40		0

* Date committed represents the WIFA Board meeting when the financing was approved. DOES NOT represent the day of loan execution

Sorted by: Commitment Date and Priority Ranking

Project Number	Party	Project Name	Subsidy Rate	Priority Ranking	Total Project Cost	Estimated Eligible Amount	Readiness to Proceed	*Date Committed	Binding Commitment
012-2009	Chino Valley, Town of	City of Prescott Service in Chino Valley	70	25	3,100,000	3,100,000	0		0
031-2009	Tonto Village Water Company, Inc.	Tonto Village Well #2 Replacement and Storage Upgrade Project	75	26	112,200	112,200	0		0
059-2009	Indiada Water Company	Indiada Water - Consolidatin & Upgrades	80	27	5,713,000	5,713,000	0		0
057-2009	Antelope Run Water Company	Antelope Run Water - Consolidation and Upgrades	80	28	8,650,000	8,650,000	0		0
058-2009	East Slope Water Co.	East Slope Water - Consolidation & Upgrades	80	29	6,825,000	6,825,000	0		0
056-2009	Yuma, City of	40th Street Water Transmission Line, Phase II	70	30	5,200,000	5,200,000	30		0
032-2009	Yarnell Water Improvement Association	Cla-Valve Replacement	70	31	100,266	100,266	30		0
024-2009	Kingman, City of	East Bench Water System / Water Main replacements	75	32	17,425,051	17,425,051	0		0
027-2009	Dells Water Company	Storage Capacity	75	33	30,000	30,000	0		0
021-2009	Utility Systems, LLC.	Christopher Creek Haven Water Tank Replacement	75	34	41,000	40,000	0		0
052-2009	Flagstaff, City of	Local Aquifer Study - City of Flagstaff	75	35	300,000	300,000	40		0
053-2009	Yuma, City of	Main Street Water Treatment Plant Rehabilitation Project	75	36	10,250,000	10,250,000	10		0
054-2009	Yuma, City of	24th Street Water Storage Tanks & Booster Pump Station	75	37	18,000,000	18,000,000	10		0
055-2009	Yuma, City of	16th Street Tanks Interior Recoating	75	38	1,550,000	1,550,000	0		0
051-2009	Flagstaff, City of	Red Gap Ranch - Water Rights Legal Fees & Aquifer Study	75	39	500,000	500,000	0		0
019-2009	West Village Water Company	Well and Distribution System Improvement	80	40	843,944	843,944	0		0
003-2009	Sonoita Valley Water Company	Sonoita Valley Systems Consolidation and Upgrades	85	41	828,000	828,000	0		0
047-2009	Metro Water District	Linda Vista CAP Transmission Main	75	42	10,000,000	10,000,000	0		0
001-2009	Metro Water District	Purchase of Thim Water Systems	80	43	4,200,000	4,200,000	0		0
046-2009	Metro Water District	Northwest Water Providers CAP Water Treatment and Delivery System	75	45	4,000,000	4,000,000	0		0
045-2009	Sahuarita Water Company, LLC	SWC Arsenic Treatment Plant	85	46	4,700,000	4,700,000	0		0
037-2009	Peoria, City of	16756 inch Waterline Lone Mountain Parkway/ Lake Pleasant Parkway to El Mirage Road	85	47	7,244,688	6,704,148	40		0
038-2009	Peoria, City of	24-inch waterlines- Beardsley Road & 91st Avenue	85	48	8,115,743	5,384,903	40		0
039-2009	Peoria, City of	Twin Buttes Water Treatment Plant - Phase I	85	49	60,890,970	55,155,774	40		0
033-2009	Oro Valley, Town of	Existing Water Infrastructure Improvements Phase 2	85	50	5,300,000	5,300,000	0		0
029-2009	Oro Valley, Town of	Existing Water Infrastructure Improvements Phase 1	85	51	7,270,000	6,570,000	0		0

* Date committed represents the WIFA Board meeting when the financing was approved. DOES NOT represent the day of loan execution

Sorted by: Commitment Date and Priority Ranking

Project Number	Party	Project Name	Subsidy Rate	Priority Ranking	Total Project Cost	Estimated Eligible Amount	Readiness to Proceed	*Date Committed	Binding Commitment
048-2009	Oro Valley, Town of	Northwest Water Providers CAP Treatment & Delivery System	85	52	4,000,000	4,000,000	0		0
x 043-2009	Highland Pines Domestic Water Improvement District	Water Main Replacement Project	70	12	650,000	650,000	50	9/17/2008	650,000
x 028-2009	Flagstaff, City of	Red Gap Ranch Pipeline Feasibility Study	75	44	4,200,000	2,100,000	40	9/17/2008	2,100,000
x 041-2009	Tucson, City of	Well Drilling, Chemical Feed and Meter Improvements	75	20	8,666,000	6,083,000	40	10/15/2008	2,500,000
x 008-2009	Groom Creek Water Users Association	GCWUA Water System Improvements	75	18	1,600,000	1,600,000	40	2/18/2009	1,600,000
					254,443,129	230,898,872			

EXHIBIT 3

Sonoita Valley Water Company
Balance Sheet as of 12/31/08
Includes Proforma Adjustments for WIFA Financing

Acct. No.	ASSETS	TEST YEAR END BALANCE @ 12/31/2008	WIFA LOAN PROFORMA ADJUSTMENTS	TEST YEAR END 12/31/2008 ADJUSTED FOR WIFA LOAN
	CURRENT AND ACCRUED ASSETS			
131	Cash	\$ 5,242		\$ 5,242
134	Working Funds			
135	Temporary Cash Investments			
141	Customer Accounts Receivable	7,046		7,046
146	Notes/Receivables from Associated Companies			
151	Plant Material and Supplies			
162	Prepayments			
174	Miscellaneous Current and Accrued Assets			
	TOTAL CURRENT AND ACCRUED ASSETS	\$ 12,288	\$ -	\$ 12,288
	FIXED ASSETS			
101	Utility Plant in Service	\$ 260,000	\$ 656,271	\$ 916,271
103	Property Held for Future Use			
105	Construction Work In Progress			
108	Accumulated Depreciation - Utility Plant ("AD-UP")	(135,082)		(135,082)
121	Non-Utility Property			
122	Accumulated Depreciation - Non Utility ("AD-NU")			
	TOTAL FIXED ASSETS	\$ 124,918	\$ 656,271	\$ 781,189
	TOTAL ASSETS	\$ 137,206	\$ 656,271	\$ 793,477

Sonoita Valley Water Company
Balance Sheet as of 12/31/08 (continued)
Includes Proforma Adjustments for WIFA Financing

Acct. No.	LIABILITIES	TEST YEAR END BALANCE @ 12/31/2008	WIFA LOAN PROFORMA ADJUSTMENTS	TEST YEAR END 12/31/2008 ADJUSTED FOR WIFA LOAN
	CURRENT LIABILITIES			
231	Accounts Payable	\$ 6,061		\$ 6,061
232	Notes Payable (Current Portion)			
234	Notes/Accounts Payable to Associated Companies	226,300		226,300
235	Customer Deposits	835		835
236	Accrued Taxes	498		498
237	Accrued Interest			
241	Miscellaneous Current and Accrued Liabilities			
	TOTAL CURRENT LIABILITIES	\$ 233,694	\$ -	\$ 233,694
	LONG-TERM DEBT (Over 12 Months)			
224	Long-Term Notes and Bonds	\$ -	\$ 656,271	\$ 656,271
	DEFERRED CREDITS			
251	Unamortized Premium on Debt			
252	Advances in Aid of Construction	\$ 1,836		\$ 1,836
255	Accumulated Deferred Investment Tax Credits			
271	Gross Contributions in Aid of Construction	5,200		5,200
272	Less: Amortization of contributions	(5,200)		(5,200)
281	Accumulated Deferred Income Tax			
	TOTAL DEFERRED CREDITS	\$ 1,836	\$ -	\$ 1,836
	TOTAL LIABILITIES	\$ 235,530	\$ 656,271	\$ 891,801
	CAPITAL ACCOUNTS			
201	Common Stock Issued	\$ 1,000		\$ 1,000
211	Paid in Capital in Excess of Par Value	65,000		65,000
215	Retained Earnings	(164,324)		(164,324)
218	Proprietary Capital (Sole Props and Partnerships)			
	TOTAL CAPITAL	\$ (98,324)	\$ -	\$ (98,324)
	TOTAL LIABILITIES AND CAPITAL	\$ 137,206	\$ 656,271	\$ 793,477

EXHIBIT 4

Sonoita Valley Water Company
Income Statement from January through December of 2008
Includes Proforma Adjustments for WIFA Financing

Acct. No.	OPERATING REVENUES	ADJUSTED TEST YEAR	RATE CASE/ WIFA LOAN PROFORMA ADJUSTMENTS	TEST YEAR INCLUDING WIFA LOAN ADJUSTMENTS
461	Metered Water Revenue	\$ 58,892	\$ 96,973	\$ 155,865
460	Unmetered Water Revenue	102	-	102
474	Other Water Revenues			-
	TOTAL OPERATING REVENUES	\$ 58,994	\$ 96,973	\$ 155,967
	OPERATING EXPENSES			
601	Salaries and Wages	\$ -		\$ -
610	Purchased Water	-		-
615	Purchased Power	6,125		6,125
618	Chemicals	2,854		2,854
620	Repairs and Maintenance	5,415		5,415
621	Office Supplies & Expense	723		723
630	Outside Services	34,864		34,864
635	Water Testing	3,311		3,311
641	Rents	-		-
650	Transportation Expenses	10,280		10,280
657	Insurance - General Liability	1,541		1,541
659	Insurance - Health and Life	-		-
666	Regulatory Commsn Exp-Rate Case	3,000		3,000
675	Miscellaneous Expense	-		-
403	Depreciation Expense	10,069	22,729	32,798
408	Taxes Other Than Income	-		-
408.1	Property Taxes	1,910		1,910
409	Income Tax	-		-
	TOTAL OPERATING EXPENSES	\$ 80,091	\$ 22,729	\$ 102,820
	OPERATING INCOME/(LOSS)	\$ (21,097)	\$ 74,244	\$ 53,147
	OTHER INCOME/(EXPENSE)			
419	Interest and Dividend Income	\$ -		\$ -
421	Non-Utility Income	46		46
426	Miscellaneous Non-Utility Exp			-
427	Interest Expense	3	32,594	32,597
	TOTAL OTHER INCOME/(EXPENSE)	\$ 43	\$ (32,594)	\$ (32,551)
	NET INCOME/(LOSS)	\$ (21,054)	\$ 41,650	\$ 20,596

Sonoita Valley Water Company
Utility Plant in Service and Depreciation Expense
Includes Proforma Adjustments for WIFA Financing

Acct. No.	Description	ORIGINAL COST @ TEST YEAR END 12/31/2008	WIFA LOAN PROFORMA ADJUSTMENTS	TEST YEAR INCLUDING WIFA ADJUSTMENTS	PROPOSED DEPRECIATION RATES	PROPOSED DEPRECIATION EXPENSE
301	Organization	\$ 62		\$ 62	20.0000%	\$ 12
302	Franchises					
303	Land and Land Rights					
304	Structures and Improvements	2,036		2,036	3.3300%	65
307	Wells and Springs	9,741	221,760	231,501	3.3300%	7,478
311	Electric Pumping Equipment	60,914	48,510	109,424	12.5000%	13,339
320	Water Treatment Equipment	-		-		
320.1	Water Treatment Plants	-		-	3.3300%	-
320.2	Solution Chemical Feeders	5,595		5,595	20.0000%	1,119
330	Distrib Reservoirs/Standpipes	-		-		
330.1	Storage Tanks	22,867	55,440	78,307	2.2200%	1,610
330.2	Pressure Tanks	5,918	18,711	24,629	5.0000%	936
331	Transmission and Distrib Mains	143,770	297,990	441,760	2.0000%	6,761
333	Services	4,783		4,783	3.3300%	61
334	Meters	4,313	13,860	18,173	8.3300%	1,416
335	Hydrants				2.0000%	
336	Backflow Prevention Devices				6.6700%	
339	Other Plant & Misc Equipment				6.6700%	
340	Office Furniture and Equip				6.6700%	
340.1	Computers & Software				20.0000%	
341	Transportation Equipment				20.0000%	
343	Tools, Shop & Garage Equip.				5.0000%	
344	Laboratory Equipment				10.0000%	
345	Power Operated Equipment				5.0000%	
346	Communications Equipment				10.0000%	
347	Miscellaneous Equipment				10.0000%	
348	Other Tangible Plant					
	TOTALS	\$ 260,000	\$ 656,271	\$ 916,271		\$ 32,798